

RURAL DEVELOPMENT

Vermont/New Hampshire

COMMITTED TO THE FUTURE OF RURAL COMMUNITIES

GUARANTEED LENDER NEWS

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Rural Development Benefits:

- Local contact—origination to workout. We come to you!
- Lower cost, predictable fee structure.
- Maximum flexibility in pricing loans—fixed, variable or combination. You choose the index!
- Experienced staff capable of integrating needs with other Federal, State and Local financing programs.
- Maximum flexibility in structuring participation, retention or sale of non-guaranteed or guaranteed portion of the credit.
- Guarantee issued at closing—no guesswork as to the validity at time of liquidation.
- No mandatory pre-payment penalties. Gives flexibility to growing businesses.

BUSINESS & INDUSTRY GUARANTEES BENEFIT MANUFACTURING

In our last edition, we focused on how the B&I guarantee program can benefit lenders by supporting credits in the tourism sector. In this edition we will focus on manufacturing.

Rural Development loan guarantees can deliver up to 30 year terms on real estate, 15 years on equipment and 7 years on term working capital.

Loan guarantees are a loss deficiency payment and are typically issued at the 80% level. The up-front fee is 2%. For projects that can demonstrate high impacts to the agency, a 1% fee can be considered on a case-by-case basis.

Guaranteed loans can be issued for owner-occupied or non-owner occupied facilities. Loans funds can be used to acquire, rehabilitate or refinance facilities.



Rhino Foods of Burlington, Vermont obtained a guaranteed loan from Chittenden Bank to assist in their facility acquisition.

Rural Development assisted Rhino Foods in 2003 with the acquisition of their leased manufacturing plant in Burlington, Vermont and the refinancing of existing equipment debt. The \$2.6 million dollar credit facility was underwritten by Chittenden Bank and features a favorable 20 year fully amortizing mortgage

term. The guarantee provided an ability for the bank to offer highly competitive pricing and more flexible repayment terms that could otherwise be achieved.

Rural Development has promoted the guarantee program
See Manufacturing, Page 2

ENERGY SYSTEMS: LOAN GUARANTEES AND GRANTS NOW AVAILABLE

With the federal government's strong focus on cutting energy use, Rural Development has rolled out a program to assist in the purchase and installation of renewable energy systems and energy efficiency improvements.

Commercial lenders may apply now to USDA Rural Development for energy loan guarantees to assist small businesses and agricultural producers in VT and NH wanting to purchase and install renewable energy systems and make energy efficiency im-

provements.

A guaranteed loan will be limited to 50% of eligible project costs up to \$10 million.

See Energy Systems, Page 2

ENERGY SYSTEMS

Combination grant and guaranteed loan package will be limited to 50% of eligible project costs, including the grant amount for up to 25% of project costs. Grant funds can be used as equity in the project.

Max renewable energy grant = \$500,000

Max energy efficiency grant = \$250,000

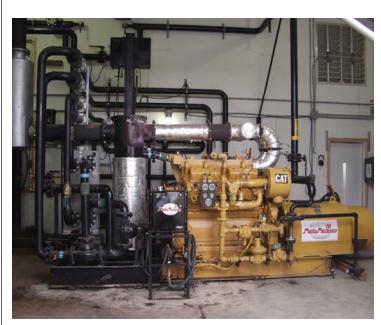
Guarantee percentages range up to 85%.

Applicants must own and control the operations and maintenance of the energy

project and have long-term site control.

Grant eligible project costs may include all purchase and installation costs for Renewable Energy and Energy Efficiency equipment, construction or improvements, energy audits, permit fees, interconnection fees, Power Purchase Agreement fees, energy feasibility studies and retrofitting.

Guaranteed loans may also include costs for capital improvements to an existing RE system, working capital and



Caterpillar Electric Generator and Methane Digester, Blue Spruce Farm

land acquisition costs.

Contact Lyn Millhiser or Steve Epstein (pg. 4) today for more information..

Hot Tip:

Energy Projects

Customers seeking energy grants should upgrade their package to a “Combo” and include a guaranteed loan.

Combo packages are funded bi-weekly, competition is minimal and funding is currently plentiful.

Contact Rural Development today for more information.

MANUFACTURING

as a way for local and regional development corporations to access construction capital and for banks to mitigate the risks associated with public entities and tenants.

In December 1999, Rural Development approved a \$2.1 million dollar loan guarantee to support the construction of the new 80,000 sq. ft. Lydall-Westex manufacturing facility in St. Johnsbury, Vermont.

Community National Bank underwrote the guarantee with additional financing of \$2.0 million provided by the VEDA Subchapter 3 Development Corporation Financing Program.

The guarantee enabled the bank to extend a term beyond its customary policy and offer

a highly competitive rate to the public borrower, St. Johnsbury Development Corporation.

When Isaccson Structural Steel, Inc.'s local lender was bought out by a large regional bank they became increasingly uncomfortable with the changing relationship.

As a result, in 2003 Isaccson's management turned to a local bank to support their financing needs.

As the fourth largest employer in a region that had already suffered massive economic decline with the closing of the paper mills, management felt it was important to find a bank that would work with the company and its 108 employees.

Isaccson turned to Passumpsic Savings Bank to refinance their existing debt which included a significant line of credit as well as fixed term debt.

Rural Development's \$2.0 million dollar term guarantee enabled the bank to provide the company with solid financial footing and reduced annual debt service significantly. With the guarantee in place to mitigate term debt exposure risk, the bank was able to provide a new line of credit to accommodate operations.

Whether you are considering new term debt or a refinancing request, Rural Development's experienced staff are available to work with you to assist in structuring financing solutions.



Isaccson Structural Steel
Berlin, New Hampshire

NON-PROFIT EDUCATION: COMMUNITY FACILITY GUARANTEES

Independent, charter, Waldorf, supervised or Academy. What do all these types of schools have in common? USDA Rural Development has assisted each type through the [Community Facility Guaranteed Loan Program](#).



Upper Valley Waldorf School
Quechee, Vermont

When [Upper Valley Waldorf School](#) approached [Ledyard National Bank](#) for financing to construct a new building, Dan Yates (now with Brattleboro Savings and Loan) contacted Jon Muise in the Rural Development Brattleboro office regarding a guarantee for the loan.

The school was serving 170 students at the time of the planned expansion. The expansion on the school's Quechee, Vermont campus

would allow for more programs and an opportunity to increase enrollment.

Rural Development provided an 80% guarantee on the \$650,000 project which included construction and the refinancing of some existing debt. Today, the school is thriving. Enrollment has increased to 194 students and the new 4,560 square foot custom-designed facility is meeting the targeted needs.

The [North American Hockey Academy](#) based in Stowe, Vermont was facing a 50% rent increase when the opportunity to purchase the Anderson Lodge presented itself. The Academy combines a residential hockey program with a state approved academic program for 40 young women.

The Lodge and its associated 4.25 acre campus would provide access to swimming and tennis while meeting the critical needs of housing students, staff and supporting classroom space. The new facility would also allow the Academy to expand its summer hockey program.



North American Hockey Academy
Stowe, Vermont Campus

[Union Bank](#) had an existing relationship with the Academy. With only a six year operating history and an income stream that consisted primarily of enrollment fees, the bank sought a credit enhancement from Rural Development to mitigate the risk.

Naomi Hatch of the Montpelier, Vermont Rural Development office worked to underwrite a \$925,000, 80% loan guarantee. The academy was able to complete the move into the Lodge by mid-June 2006 just in time for the 2006 summer hockey camp season.

Community Facility Contacts

Central-NW Vermont

Naomi Hatch
802-828-6067

Naomi.Hatch@vt.usda.gov

Northeast Kingdom

Mark Koprowski
802-747-2777 x113

Mark.Koprowski@vt.usda.gov

Southern Vermont

Andrea Ansevin-Allen
802-257-7878 x113
Andrea.Ansevin.Al-len@nh.usda.gov

New Hampshire

Gregg MacPherson
603-223-6054

Gregg.MacPherson@nh.usda.gov

Scott Johnson
603-223-6058
Scott.Johnson@nh.usda.gov

Anne Getchell
603-447-3318
Anne.Getchell@nh.usda.gov

B&I GUARANTEES: FLEXIBLE DEBT REFINANCING POLICY

On March 19, 2007 Rural Development published a regulation change that clarifies and expands the agency's ability to provide loan guarantees on refinanced debt.

Previously, the agency could only refinance a lender's existing exposure when that exposure represented 50% or

less of a new loan proposal.

Under the revised guidelines, if the debt to be refinanced is owed directly to the Federal government or is federally guaranteed (SBA, USDA or other agency), there is no limit on the percentage that can be refinanced.

Debt refinancing projects must demonstrate:

- Cash flow improvement (no formula requirement)
- Save or create jobs
- Project must be viable
- Debt to be refinanced must have been current for the last 12 months.

USDA Rural Development

89 Main Street
City Center 3rd Floor
Montpelier VT 05602

Editor:
David H Robinson

Contributors:
Rhonda Shippee
Program Director

Steven Epstein
Program Specialist

Lyn Millhiser
Program Specialist

Susan Woolard
Program Specialist

Naomi Hatch
Program Specialist

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Rural Development.

Phone: 802-828-6031
Fax: 802-828-6093
E-mail: David.Robinson@vt.usda.gov

We're On The Web!
www.rurdev.usda.gov

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Communities*



Committed to the future of rural communities.

BUSINESS PROGRAM CONTACTS

Business Guarantees

Vermont

David Robinson
802-828-6070

David.Robinson@vt.usda.gov

New Hampshire

Steven Epstein
603-223-6042

Steven.Epstein@nh.usda.gov

Energy Programs

Vermont

Lyn Millhiser
802-828-6069

Lyn.Millhiser@vt.usda.gov

New Hampshire

Steven Epstein
603-223-6042

Steven.Epstein@nh.usda.gov

Great Resource Now Available!

Thanks to RD Oregon, a great resource is available to help lenders quickly and easily steer through our collateral, equity and environmental requirements.



Contact Dave or Steve if you have questions or problems accessing the easy to use manual.

PROGRAM ALERTS:

- New **Personal Guarantee Form**—When Rural Development issues a Conditional Commitment that requires a full or limited guarantee, the guarantor is now required to sign the agency's new [RD 4279-14](#) form.
- The **Annual Guarantee Renewal Fee** charged for loans approved in Fiscal 2007 is 1/4 of 1% for Business & Industry Guarantees and 1/8 of 1% for Energy Guarantees. The fee is based on the December 31st guaranteed portion of the loan. For more [Renewal Fee FAQ's](#) (developed by RD Oregon) and information on the renewal fee, activate the hyperlink or contact your RD representative.
- Rural Development's **Semi Annual and Default Status Reporting** is converting to an on-line web based application called LINC. This will allow lenders to fully centralize reporting and reduce the occurrences of "second request" notices. Rural Development staff will be coordinating bank registration over the next few months. You can view or obtain an extra [LINC System Manual](#) by activating the hyperlink or contacting your Rural Development representative.
- Rural Development's **Tangible Balance Sheet Equity** requirement has been modified ([see AN 4224](#)) to now allow including the book value intangibles such as patents, trademarks or copyrights that are included on a current audited balance sheet. The audit opinion must specifically address the intellectual property and its valuation in accordance with GAAP.

Mission Statement: *Rural Development achieves its mission by helping rural individuals, communities and businesses obtain the financial and technical assistance needed to address their diverse and unique needs. Rural Development works to make sure that rural citizens can participate fully in the global economy.*

USDA Rural Development is an equal opportunity lender, provider and employer.